South African corporate ethics codes: establishment and communication

Abstract
Purpose – The focus of this study is on the top 500 companies in South Africa (as per the TopCo 2014 list) that have a code of ethics, in order to see the current state of development in this area after twenty years of focus by the government and business on making corporate South Africa a more ethical environment in which to conduct business.
Methodology – A structured questionnaire survey method was used to gather the data, and it was directed to the company secretaries of these top 500 companies.
Findings – Many companies in South Africa have a well-established set of protocols to enact the ethos of their code of ethics, indicating that they are becoming increasingly aware of the benefits to them of having a code. South African companies are therefore implementing both a code of ethics and strategies that contribute to creating an ethical corporate culture.
Research implications – This study provides an opportunity to further research assessing and comparing other companies in non-Western and emerging economies.
Practical implications – After twenty years of endeavours by business people and lawmakers to improve the ethical framework of South African business, there is still plenty of work to be done, as so many top companies do not appear to have a code of ethics.
Originality/value – There have been limited studies in the area of business ethics in South African companies. This study is the first of its kind in the South African context and establishes the current practice twenty years after the King I report.
Keywords Codes of ethics, Corporate South Africa
Paper type Research paper

Introduction

In the early 1990s, after two decades in isolation, South Africa re-emerged onto the world stage. The challenges that faced South Africa at this time were daunting, and it was obvious that they would have a major impact on all aspects of society: political, social, legal and economic. South Africans understood that to meet the challenges to develop their economy and ensure that business was conducted better than before, they would have to seek out and employ the world's best practices, especially in the area of corporate governance and business ethics (Price and Van der Walt, 2013). This required better understanding of the ethical decision-making practices of South Africans working for the South African government or the local business sector, and of how such practices impact on the management of ethical problems by these sectors of South African society (Boshoff et al., 2014).

In 1994 the Institute of Directors in Southern Africa published the first of four reports on corporate governance by the King Committee on Corporate Governance (1994, 2002, 2012, 2016) – the so-called King reports (I, II, III and IV). Each report recommended that practices in this area of corporate governance and the resultant interest in business ethics should evolve to the next level in order to inspire companies to strive for better practices in the marketplace. On the release of each report, there was a realisation that some of the practices of the past would no longer suffice if South Africa was to be strongly identified with good corporate governance in the world of business (West, 2006).

The King I report of 1994 promoted an integrated approach to sound governance, considering the interests of stakeholders and promoting sound financial, social, ethical and environmental practice.

The King II report of 2002 included a “Code of Corporate Practices and Conduct”. The Johannesburg Securities Exchange urged all companies listed on the JSE to adhere to the King II report recommendations or clarify their reasons for non-compliance. Van Tonder (2006) argues that the King II report was successful in highlighting the significance, necessity and constituents of corporate governance. The report also emphasised that corporate governance can be effective only if it adopts an all-encompassing stakeholder approach, founded on a clear set of ethical values. Constantinescu and Kaptein (2015) concur, stating that morally sound behaviour in a business environment is founded on corporate governance principles embodied in rules, standards and codes of ethical business conduct. These guide the behaviour of both the company and its employees so that their actions accord with what is perceived as “morally defensible” (Goel and Ramanathan, 2014).

The development of the King III report of 2009 was intended to persuade companies to adopt integrated reporting. Accordingly, as Makiwane and Padia (2013:436) explain, “they were expected to report on their strategies, corporate governance, risk assessment, financial performance and sustainability dimensions, and to show how these components were connected to one another, so as to enable stakeholders to assess a company’s performances holistically in terms of the organisation’s ability to create and sustain value”.

Planting (2013) notes that the King III report secured greater awareness of business ethics in South Africa. Indeed, ethical awareness was highlighted in the opening chapter of this report, whereas it was mentioned only at the end of the King I report of 1994. This difference in positioning indicates how ethical awareness had grown in importance in the intervening fifteen years and become the cornerstone of acceptable corporate conduct; and having a code of ethics was integral to achieving this goal.

The King IV report of 2016 also focused on the inclusion of all company stakeholders, a principle similar to that of the previous King reports. However, the King IV report is more strongly principle based, focusing more intensely on corporate social responsibilities towards communities and the environment, rather than just on the rules that govern the ethical practices or profitability of the company (Drechsel, 2016). King IV requires governing bodies to both apply and explain, while the King III approach required that they only apply or explain. The King IV report is built around four themes to enhance corporate governance in South Africa, namely the establishment of an ethical culture, the continuous measurement of performance and the creation of value for all stakeholders, the establishment of measures to secure adequate and effective control, and the establishment of trust, good standing and legality (King Committee on Corporate Governance, 2016).

The decades in South Africa since the dismantling of apartheid have brought the realisation that to improve the business environment in the country, issues of corporate governance and business ethics should be the main focus. Transformation requires regulation and legislation to guide both business and society in order for everyone to be equally protected from sharp business practices and to benefit and profit from the new directions and standards instituted to develop, grow and sustain South African business into the future (Bisschoff and Fullerton, 2011; Botha, 2009). Against this background, the aim of the study was to establish the current state of development of codes of ethics among the top 500 large companies in South Africa.

In the past decade, the need for business ethics research in the southern hemisphere has grown. This is attributable in part to growing pressure from societal groups demanding greater transparency in business practices (Hughes *et al*., 2015). In South Africa there have been limited studies in the area of business ethics in South African companies (Buys and Van Schalkwyk, 2015; Lloyd *et al*., 2014), with none found in the extant literature specifically on codes of ethics in the top 500 companies operating in the corporate sector. This study scrutinises the emergence of codes of ethics in corporate South Africa and the strategies that the top 500 companies initiate in their organisations to ensure that the philosophy of their codes of ethics is an integral part of their everyday business practice.

This South African study continues a series of code of ethics studies that started in Australia almost two decades ago (Wood, 2000). The previous thirteen studies, of which this study is now a part, explored corporate codes of ethics and the procedures that companies put in place in order to communicate the ethos of their codes to both internal and external stakeholders in seven countries: Australia, Canada, Sweden, Taiwan, Turkey, the UK and the USA. We believe that this study is the first of its kind in the South African context and establishes the current practice twenty years after the King I report.

Ethical practice: Underlying theory

Central to ethics is the question of what constitutes moral conduct (Kindsiko, 2013). The theory informing this study is the deontological ethical theory, which has its origins in the work of the 18th century German philosopher Emmanuel Kant (Christie *et al.*, 2008). Kant argues that morality is a matter of duty in that humans have the moral duty to do what is right and not to do what is wrong (Darwall, 2018). Deontological ethics is accordingly referred to as duty-based ethics. It advocates that actions be guided by rules for what is morally right and wrong irrespective of the consequences. In defining what is morally right, deontological ethics requires that humans always be treated as an end and not as a means to an end (Paquette *et al.*, 2015). When applied in business, deontological ethical theory requires the defining and communicating of actions that are acceptable and those that are not acceptable (Nantel and Weeks, 1996). The aim is to bring a degree of certainty to ethical decision making by clearly distinguishing between acceptable and unacceptable actions. Companies do this by developing and communicating rules of conduct (Adams *et al.*, 2001), which are often reflected in a code of ethics document (Kaptein, 2017a).

Role of codes of ethics in business

Research conducted by Berenbeim (2000) emphasises three developments that support the increased relevance of corporate codes of ethics. The first development is an understanding that markets all over the world are increasingly becoming integrated and this requires key values that are globally relevant. The second development is the embracing of codes of ethics as a part of evolving company governance processes, as demonstrated by the greater involvement of company management in developing better corporate governance practices. The third development is an increase in education on codes of ethics and understanding of them among senior managers of companies, as demonstrated by ongoing improvement of the codes. However, it should be noted that a corporate code of ethics does not consist of definitive facts and rules that can be homogeneously applied to all stakeholders. The primary purpose of a code of ethics is to provide guidelines for sound ethical business practices, functioning as a platform for evaluation. Therefore, a code of ethics should be perceived as a critical adjunct in developing ethical standards in companies (Hasnas, 2013).

Numerous writers affirm that companies develop code of ethics documents to indicate the behaviour and values that employees are expected to demonstrate in their daily dealings with each other and on behalf of the company(Adelstein and Clegg, 2016; Kaptein, 2011; Kaptein and Schwartz, 2008). The code of ethics document illustrates to all stakeholders that the organisation is serious about incorporating ethical business practices into the company’s moral architecture. When the organisational culture does not demand individual accountability, employees may be tempted to relinquish their moral duties from time to time when acting on behalf of the company. Therefore, without a clearly defined code of conduct, employees may be less committed to taking responsibility for their actions when operating on behalf of the company (Price and Van der Walt, 2013).

Accordingly, Alzola (2015) argues that companies should guide employees on how to operate with honest and sincere intentions. Company management should understand why an employee has behaved in a specific manner and not only what the consequences should entail. Developers of codes of ethics should understand the connection between behaviour and psychological and moral integrity. Codes of ethical practice should ensure that any selfish personal interests of employees are not detrimental to the society in which a company operates (McPherson, 2013). Leadership is a critical element in the development of an ethical culture in a company. Leadership that engages in a professional and ethical manner with employees, so that employees are inspired by the ethical practices of management, will strengthen employee commitment to both the development and the establishment of an ethical code of conduct (DeConinck, 2015).

The King IV report of 2016 provides a sound basis for ethical leadership practices in South Africa. The report underwrites the application of rigorous business ethics principles that specifically forbid the defrauding or deceiving of customers in transactions. It promotes virtues such as sound governance, compliance and reliability between all stakeholders (Rowe and Moodley, 2013). Therefore, these ethical principles should underlie a company philosophy that promotes professional relationships between stakeholders (West, 2014). The King IV report was founded on the principles and guidelines of the King III report. Drechsel (2016) writes that "King IV has been structured as a framework that can be applied more easily across listed and unlisted companies, profit and non-profits as well as private and public entities", and as such the report refers to "organisations" and "governing bodies". In addition, the King IV report is based on fundamental practices, principles and governance outcomes. Drechsel (2016, n.p.) continues:

> The practices are recommended at an optimum level of corporate governance and should be adapted by each organisation to achieve the principle. The governance outcome is the positive effect or benefits of good corporate governance for the organisation and includes ethical culture, performance and value creation, adequate and effective control and trust, good reputation and legitimacy.

The King IV report highlights the following foci of a sound code of ethics: ethical and effective leadership; the role of the company and its responsibility to the community it serves; corporate citizenship; sustainable development; stakeholder inclusivity and responsiveness; and integrated reporting and integrated thinking (Drechsel, 2016).

The King III report identified 75 principles, which the King IV report consolidates into 17, each being related to specific outcomes. The King IV report provides a principle-based framework that companies can more easily implement to secure sound corporate governance and enhanced transparency in doing so (Drechsel, 2016; King Committee on Corporate Governance, 2016).

Methodology

Research method and target population

The study was quantitative in nature, supported by a descriptive research approach (Saunders and Lewis, 2012). The population included the top 500 South African companies as listed by Topco (2014) on the basis of financial performance. A census was done and a total of 222 companies responded.

The research method employed for the study was a questionnaire survey. This survey was supported by the computer-assisted telephone survey (CATI) method to facilitate the data collection process.

Validity and data collection

The questionnaire survey method was favoured "mainly because its effectiveness, efficiency and accuracy of data collection could be increased when used in conjunction with the CATI method, which is effective in preventing interviewer errors" (Aaker *et al*., 2011). This method ensured that the data collected could be perceived as valuable, complete and consistent. The validity of the questionnaire was secured by ensuring that the questionnaire items underwrote the research aim formulated for the study. A pilot study was also done which included 15 respondents, matching the sampling frame of the study. This ensured further that the design of the questionnaire would assist in meeting the research aim formulated for the study.

The head of ethics or company secretary in each company was requested to respond to up to 21 statements relating to the company's code of ethics or a similar document. Each respondent at each company was contacted by telephone prior to the interview to determine the appropriateness of their being a respondent to the questionnaire. Each respondent was then also briefly oriented in terms of the project in order to motivate their personal interest and evoke their willingness to take part in the survey. The heads of ethics or the company secretaries who were unavailable at the date and time agreed upon for the interview were contacted again by telephone to establish a new date and time for it. The response rate was 222 out of a total of 500 (44.4%).

Measures and analysis

Eight broad themes were measured, namely (1) the existence of a code of ethics; (2) the reasons for the establishment of a code of ethics; (3) the development of the code; (4) the communication of the code to stakeholders; (5) the perceived value to the company of having a code of ethics; (6) the regularity with which a company examines, discusses and/or revises its code of ethics; (7) the presence of consequences should a code of ethics be violated; and (8) the means used to inculcate the ethos of the company's code into the everyday activities of the organisation. The findings in respect of the first four themes are reported in this article.

The executives surveyed responded to statements about the existence of and conduct relating to their company's code of ethics, if any. The statements were adopted from Svensson *et al*. (2006, p. 548) and were listed with responses of either "Yes", "No" or "Don't Know" and with a Likert scale ranging from (1) "Strongly Disagree" to (5) "Strongly Agree", in order to determine the existence of a code of ethics and the quality of ethical conduct of the companies concerned. Descriptive statistics were used to summarise the data through the calculation of frequencies and means.

Empirical findings

Demographic characteristics

The characteristics of the corporate sample for this study are summarised in Table I.

Insert Table I

Table I indicates that the majority of the respondents (17%) were from the manufacturing sector in South Africa, followed by personal and other services (11.2%), the retail trade (9.9%), transport and storage (7.2%), and communication services (6.3%). The sector response to this study is in line with the contribution that each of these major sector groups made to the gross domestic product (GDP) of South Africa in 2013. SouthAfrica.info (2013) reveals that manufacturing, personal services, the retail trade, transport and storage, and communication services contributed 12.3%, 5.9%, 16.2%, 9% and 9% respectively to the GDP of South Africa in 2013. Media Club South Africa (2013) supports this assessment by stating that over the past decade these five sectors made the largest contribution to South Africa's GDP. The companies of these five sectors were most represented in this study. Furthermore, the majority of the companies participating in the study (96%) had a total of 201 or more employees in their service. This indicates the relative size of the companies which responded, as in South Africa a business with more than 200 employees is classified as large (Underhill Corporate Solutions, 2011, p. 25). This recognition is important, since the study sought to reflect the current status of ethical behaviour among the top companies in the South African corporate environment.

Establishment of a code of ethics

All of the respondents in the study indicated that they possessed a code of ethics. The companies surveyed were those which, in the pre-survey involvement with them, indicated that they did have a code of ethics. While the survey appears to reflect a 100% use of codes of ethics in the top companies, only 222 of the top 500 companies responded, so we can state only that to our knowledge at least 44.4% of the top 500 companies operating in South Africa definitely have a code of ethics.

Insert Table II

At the time of the research, the codes of the majority of the companies in the study had been established in the preceding 25 years (77.9%), coinciding with the global financial crisis of the late 1980s and the re-emergence of South Africa onto the world stage in the early 1990s (Table III).

Insert Table III

It is of interest that 48.7% of the companies had already established a code of ethics prior to South Africa's re-emergence onto the world stage and before the much vaunted intention of President Mandela and others to make business in a modern South Africa more ethical than it had been perceived to be.

About one-third of the companies surveyed (32.4%) indicated that they were not aware of how long it had taken the company to develop their code, while 27% of the companies' codes of ethics were continuously being reviewed, which is excellent as this means that the document is treated as a living entity that is constantly evolving, rather than as a relatively static object that is updated only when its current relevance is sporadically reassessed, and/or when the company falls foul of the law and regulators and thus needs to make changes to the way it manages its business (Table IV).

Insert Table IV

The reasons that a company acknowledges for developing its code of ethics are always of interest, for they enable the researcher to see the motives behind such a decision (Table V). More than a decade ago, Kaptein (2004, p. 13) stated that it is not only the company's stakeholders who expect it to put greater emphasis on norms, values and principles, but the company itself also acknowledges the importance of responsible business practice. Modern company law and labour legislation are in part about making corporate decision making more transparent, imposing civilised boardroom and corporate standards, and limiting the abuse of corporate power (Department of Trade and Industry, 2008, p. 12).

Insert Table V

As can be seen from Table V, the two major reasons preferred for the development of codes are "Legislative requirement" at 78.8% and "Board directive" at 40.5%. These responses highlight just how effective the push in South Africa has been (since the dawn of democracy in 1994) to promote ethical behaviour through having the vital artefact of a code. One could speculate that a board directive to this end may well have emanated from a legislative requirement with which the board wished or felt they had to comply, and thus that some of the 40.5% of the "Board directive" responses ought to be among the "Legislative requirement" responses, including the 13.5% who indicated "Stock exchange requirement" as their reason for complying.

The only issue of concern with these figures, and it is speculative without further follow-up on the subjects interviewed, is that the areas of "Core competence" (14.4%) and "Corporate culture" (11.7%) are both below 15%, which may suggest that codes of ethics in these 222 companies have been established as a direct response to legislative compulsion, rather than because companies see altruistic and/or intrinsic benefits to themselves in having a code of ethics. Compliance often means that one will appear to do the right thing because one has to do so, rather than because one voluntarily wants to do so. The respective mindsets involved are quite different, and each may well have a different effect on the commitment to the business ethics process (Wood and Rimmer, 2003). Compulsion may lead to more companies having a code, but compulsion does not guarantee that they will apply it well or be committed to developing the situation beyond what is required by law. This schism is difficult to bridge in order to forge a coherent ethical culture.

It is therefore also important for the CEOs and boards of companies to be involved. As one would expect, the chief executive officer or the chairman of the board are noted as the individuals who are primarily responsible for the establishment of a code of ethics (Table VI).

Insert Table VI

Concerning who is involved in establishing the code, it appears that in most companies either the CEO or the board is charged with this task. The figures are of interest (CEO 54.5%; chairman/board 53.2%) since one would expect greater cooperative involvement by both groups in establishing a document so vital to the ethos of the company.

The role of the CEO in developing the code is reported at much lower levels in South Africa (54.5%) than in Australia (80.2%) (Callaghan and Wood, 2014) and the UK (80.4%) (Whyatt *et al.*, 2012), where the CEO obviously appears to be more involved in the process of developing the code than in South African companies. Concerning the board's involvement in developing the code, the Australian figure (56.4%) (Callaghan and Wood, 2014) is very similar to that in South Africa (53.2%), but there is a major divergence from the UK figure (82.1%) (Whyatt *et al.*, 2012).

The participation of senior managers in the development of codes in Australia (79.2%) (Callaghan and Wood, 2014) and the UK (78.6%) (Whyatt *et al.*, 2012)is significantly different from the situation in South Africa (30.6%). Explaining these differences is outside the scope of this study, but it is of interest that in both the UK and Australia the CEO, senior managers and board of companies appear to participate and collaborate more in code development than their counterparts in South Africa.

Ideally the creation of a code of ethics should be not only a management responsibility but also a process involving all the employees of the company (Munter, 2013). All employees should be involved in developing the code of ethics since it has relevance and significance to them in their daily dealings on behalf of the organisation (Raiborn and Payne, 1990; Winkler, 2011). Such an inclusive approach creates further opportunities to establish universal ownership of the essence of the code within the company (Winkler, 2011). Just providing employees with a completed code of ethics could be perceived as an act of imposition rather than engagement. Employees will be more willing to take ownership of a code when they have been part of the development process. If they have been consulted in the establishment of a code of ethics, they will be more inclined to adhere to its principal values (Raiborn and Payne, 1990).

Communication of the code of ethics

Employees internalise the principles of the code of ethics communicated by the company when they identify with them, accept them as their own, and are willing to apply them. Such employees believe it is in their best interest to adhere to the code (Stoner, 1989).

A company that is strongly committed to a code of ethics will ensure that the code is communicated to both internal stakeholders (board, managers and employees) and external stakeholders (customers, shareholders and other interested and/or affected stakeholders) (Svensson *et al*., 2004). If a code of ethics is communicated only to external stakeholders, it might be perceived as a public relations activity rather than one rooted in a desire by the organisation for ethical behaviour. On the other hand, if the code is communicated only internally, it could be perceived as an attempt to control staff behaviour rather than to provide ethical guidance for them (Wood and Rimmer, 2003).

The questionnaire used in this study included items on companies' communication of their code of ethics to internal and external stakeholders. In response to the question whether they should communicate the code to all their managers, 209 respondents (94.1%) agreed (Table VII).

Insert Table VII

In response to the question whether non-management staff should be informed of the code of ethics, 199 respondents (89.6%) agreed (Table VIII).

Insert Table VIII

In response to the question whether new staff should be informed of the code of ethics, 191 respondents (86%) agreed (Table IX).

Insert Table IX

It is evident that a large proportion of the companies surveyed believe that all staff, irrespective of rank, should be aware of the code of ethics and understand it fully. Companies generally agree that new employees should be informed about the company's code when they start employment. One would have expected that communication to managers and other staff would be at the same level, but ten respondents reported less need for the code to be communicated to other staff than to managers. More perplexing is that another eight companies reported less need for new staff to receive the code than for staff other than managers. One could ask how new employees can be expected to comply with the code of ethics of an organisation if they are not exposed to it as much as other employees.

Communicating the company code of ethics to external stakeholders

Companies should communicate their code of ethical conduct to external stakeholders and should provide leadership in their practice of ethical management (Lloyd and Mey, 2010). Sound governance and effective ethical leadership are required ingredients for a company to be perceived as successful by all stakeholders in the 21st century (Botha, 2009). Considering this argument, it is notable that 89.6% (Table X) of the South African companies surveyed believe it is very necessary to display the company's code of ethics to external stakeholders (for example, through the company website). By this means, South African companies communicate to external parties the principles by which they operate. This enables stakeholders to measure the business practices of such companies against their stated code of ethics, and enables them to provide feedback about any deviation from the principles concerned. The positive opinion held by South African companies about displaying the code indicates that they accept the need for transparency in how they wish to conduct their business.

Insert Table X

Marx and Van der Watt (2011, p. 59) state that "corporate governance practices have evolved from initial arrangements aligning the management of companies with the interest of their shareholders to be extended to the interests of other stakeholders and society at large". The management of stakeholder relationships has become an important element of sound ethical governance. The reason for this could be that the most valuable asset of a company is its reputation; therefore building and managing relationships based on ethical principles is increasing in importance, as reputational damage to a company can cause it significant harm and even lead to its demise (Van Tonder, 2006).

Companies were asked whether they communicate their code of ethics to their customers and suppliers (Tables XIa, XIb, XIIa and XIIb). The majority of the South African companies surveyed (81.1%) are of the opinion that their code should definitely be communicated to their customer base (Table XIa), although only 57.2% of the respondents know that they commit to such a communication (Table XIb).

Insert Table XIa

It would appear that in South Africa some companies (11.7% of those surveyed) do not deem it important to inform their customers of the ethical manner in which they conduct their business operations, while 31.1% don't know if their code is communicated to their customers. The large "Don't Know" response of 31.1% (Table XIb) could explain some of the difference, but it is a concern that such a response was proffered by so many senior executives, whom one assumes are entrusted with ensuring that business ethics permeates their organisations and that their policies on ethics are transparent to all.

Insert Table XIb

It would appear, too, that if 81.1% of the surveyed companies strongly agree that they should inform their customer base of their code of ethics but only 57.2% are informed, then there is a serious disconnect between what the companies believe they should do and what they are actually doing. Given that the respondents were senior managers in their company, the high "Don't Know" response (31.1%) suggests that the companies probably do not communicate their code to customers as well as they should. This would be a missed opportunity to instil a stronger level of trust in the brand by communicating to customers the ethical principles by which the company operates (Grönroos, 1994; Gummesson, 1994).

In respect of informing suppliers of the code of ethics of the company, 81.1% of the surveyed companies see it as something that they should actively do (Table XIIa). This is notable since a supplier company that influences the brand reputation of the company it serves could be expected to operate according to the same ethical principles.

Insert Table XIIa

Only 59% of the South African companies surveyed do inform their suppliers that they have a code of ethics (Table XIIb).

Insert Table XIIb

If 11.7% of the senior managers of the South African companies in the study do not communicate their code of ethics to their suppliers and another 29.3% of senior managers surveyed are not aware whether they communicate their code to their suppliers, then there is no certainty that suppliers would be aware of the company's ethical values, and therefore an opportunity is lost for the supplier to share in the same ethical values characterising the company's business practices. As stated, this lack of communication to suppliers is a missed opportunity to enhance the business ethics of the supply chain, which could be of benefit to all, especially to the customers of the companies' products and services. Such companies could therefore be expected to strive for greater cohesion between their own ethical operational practices and those of their suppliers, especially considering that the majority of the South African companies in the study are of the strong opinion that their code of ethics should be communicated to their suppliers (Table XIIa).

Discussion

This study is ground breaking in South Africa, as a study of this magnitude has not been conducted in the field of business ethics in the South African corporate sector before. The results of the study confirm that codes of ethics are well developed in many of South Africa's largest companies (44.4%). The desire of business people and lawmakers in South Africa to make the country a more ethical place in which to do business than it was prior to South Africa's re-emergence onto the world stage in the 1990s appears to have had major effects on the mind set of many of its top 500 companies.

Those South African companies surveyed which acknowledged having a code understand the advantages to be gained in creating a greater focus on business ethics. Therefore, to stimulate ethical behaviour, many companies doing business in South Africa have initiated the implementation of both a code of ethics and strategies to create a responsive corporate culture. South African companies have become increasingly aware that formalising business ethics should become an inherent part of their daily business practices.

It is of interest that in some areas of the process there appears to be a disconnect between what companies believe should be happening in respect of their code of ethics in the marketplace, and what they believe is actually happening. Without further investigation it is difficult to understand this disconnect, especially in respect of customers and suppliers. This is of concern as it is necessary to bridge the gap between ideals of good practice and actual practice. One would assume that the closer a company's relationships are with its customers and suppliers, especially in the area of business ethics, the better the outcomes for all parties will be. A supply chain predicated on joint ethical beliefs and practices should lead to a winning situation for the company, its suppliers and its customers, ensuring that these companies develop a relationship marketing approach with their stakeholders, both externally and internally. Low, Ong and Tan (2017:4) concur and state that for an organisation to be successful and sustainable in the long term, the organisation must ensure that the interests of stakeholders such as 'customers, suppliers, employees, communities and shareholders are aligned, moving toward the same direction of the organisation'.

Managerial implications

All the respondents surveyed (222) indicated that they have a corporate code of ethics. While this is encouraging, bearing in mind the importance of ethics and the impact that big business has on society, it is proposed that the South African Chamber of Business (SACOB) should conduct an audit, at regular intervals, to establish the existence and implementation of ethical codes in all big businesses. SACOB could develop a time frame indicating a date by which all large companies in South Africa should have established and implemented a code of ethics, guided by the principles of the King IV report. SACOB should monitor the development and implementation and should penalise companies that fail to adhere to the stated timeline. Should the non-compliance continue, SACOB should be legally empowered to blacklist such companies and disqualify them from membership.

Secondly, corporate South Africa should communicate the benefits of a code of ethics more diligently to internal and external stakeholders. A corporate culture needs to be strengthened in which company boards and directors personally understand the need for a code of ethics, are more personally involved in its development, and share their understanding of its implications with all internal and external stakeholders through training programmes, public relations campaigns, and the company's internal marketing strategy. The latter is critical, as employees are internal stakeholders and would be more positive about the implementation of a code of ethics if included in its development. Targeted internal and external audiences thus need to be identified and a workable time frame proposed by company management for educating all stakeholders (managers, operational employees and external partners, including the South African government) about the company's stand on ethical business practices, its code of ethics, the implementation and management of the code in daily operations, and its intention to engage ethically with external partners. This would secure the cooperation of all stakeholders through active, well-managed strategies within a specified period. To secure employees' input and willingness to support the code, they should be directly engaged in developing it.

Companies should take responsibility for educating their external partners on their ethical business values through roadshows, online platforms and work sessions. In addition, they should become more engaged in gauging and improving their partners' ethical business practices by providing incentives for implementing such practices when engaging with the company. Companies whose partners fail to operate ethically should penalise them, for example by discontinuing business contracts.

Finally, companies should develop induction programmes for new employees to inform them about the principles of the company's code of ethics and to train them accordingly. Such training should be designed to include what ethical business practices entail in general, how to be a good corporate citizen in both the company and in South Africa, what ethical citizenship implies in the company as a whole, what it means to take ownership of ethical behaviour in one's specific work context, and how to identify and report unethical behaviour (by fellow employees and partner companies). Such an inclusive approach to inducting new recruits on ethical business practices would empower them to be both knowledgeable on the topic and to behave ethically from the date of employment.

Conclusion and propositions for further research

Companies in the study that have a code of ethics evidently support an organisational regulatory framework to guide their conduct in the marketplace. For these South African companies, the code of ethics should clarify their objectives and the norms and values they wish to uphold and be accountable for.

Kaptein's (2015) struggle theory—stating that effort is essential for companies to become ethical and retain their ethical approach to business—is pertinent in the South African situation. Organisations are conceptualised as a "battlefield" consisting of "pressures and temptations that need to be conquered so as to defend ethics and realize the good" (Kaptein, 2017b:356). Acceptance of struggle theory must be acknowledged across the organisation, in all its programmes and actions, in order to instil its code of ethics into everyday behaviour. Without a struggle against forces that counteract business ethics, organisations cannot achieve the ethical standards they need in order to be successful. This struggle in business organisations is in many ways a microcosm of the continual ethical struggle in South Africa as a whole, in all walks of life. Lloyd *et al.* (2014) concur, highlighting the need in South Africa for the ethical practices stipulated in all the King reports. These would secure a long-term reduction in the costs resulting from unethical behaviour, which is necessary to ensure the survival of companies operating in South Africa.

After more than 20 years of endeavours by business people and lawmakers to improve the ethical framework of South African business, there is still plenty of work to be done, as so many top companies do not appear to have codes of ethics. Consequently, the vision of Nelson Mandela to make South African business universally more ethical than it was in the 1990s has some way to go before it is fulfilled and reflects current practices in the more economically developed world.

The study is limited since only the top 500 companies in South Africa were approached. As a result, the findings cannot be generalised to all companies in the country, including small and medium sized companies. However, the study provides opportunities for further research in South Africa. Firstly, the state of development of codes of ethics among the top small and medium sized companies in South Africa could be investigated. Secondly, a comparative study could be conducted of the state of development of codes of ethics in other non-Western and emerging economies.

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Table I. Sample characteristics – nature of business, turnover and number of employees

Nature of business	Count	Sector representation (%)	Turnover USD	Count	Number of employees	Count
Accounting, café or restaurant	4	1.8	≤ 5 million	25	≤ 200	9
Agriculture, forestry or fishing	4	1.8	5 million – < 25 million	40	201–500	46
Communication services	14	6.3	25 million – < 100 million	45	501–1.000	33
Construction	8	3.6	100 million – < 1000 million	26	1.001–5.000	65
Cultural or recreational services	1	.50	1 000 million or more	17	5.001–10.000	23
Education	8	3.6	No response	69	10.001 ≤	25
Electricity, gas or water	4	1.8	**Total**	**222**	No response	21
Finance and/or insurance	12	5.4			**Total**	**222**
Health and community services	12	5.4				
Mining	11	4.9				
Manufacturing	37	17				
Personal and other services	25	11.2				
Property and business services	12	5.4				
Retail trade	22	9.9				
Transport and storage	16	7.2				
Wholesale trade	5	2.2				
Other	27	12.1				
Total	**222**	**100**				

Table II. Number of companies having a code of ethics

Our company has a corporate code of ethics		
Item	**Count**	**%**
Yes	222	100.0
No	0	0
Don't Know	0	0
Total	**222**	**100.0**

Table III. Year interval when the code of ethics was established in each company

In what year was the code established?		
Year interval	**(n=222)**	**%**
1918-1988 (70 years)	49	22.1
1989-1995 (7 years)	59	26.6
1996-2007 (12 years)	58	26.1
2008-2013 (6 years)	56	25.2
Total	**222**	**100.0**

Table IV. Time it took a company to develop a code of ethics

How long did it take to develop the code?		
Frequency	**(n=222)**	**%**
Less than 1 year	39	17.6
1-2 years	22	9.9
2-5 years	27	12.2
More than 5 years	2	0.9
Constant review	60	27.0
Don't Know	72	32.4
Total	**222**	**100.0**

Table V. Reason(s) for the development of a code of ethics

Why was the code developed?		
Reason	**(n=222)**	**%**
Legislative requirement	175	78.8
Board directive	90	40.5
Core competence	32	14.4
Stock exchange requirement	30	13.5
Staff integrity	27	12.2
Corporate culture	26	11.7
Don't Know	12	5.4

Table VI. Individuals responsible for the development of a code of ethics

Who was involved in the establishment of the code?		
Reason	**(n=222)**	**% of Yes**
Chief executive officer	121	54.5
Chairman/board	118	53.2
Senior managers	68	30.6
Other staff	7	3.2
Customers	1	0.5
Don't Know	35	15.8

Table VII. Communication of the code of ethics to the management level of the company

Our code should be communicated to all of our managers	(n=222)	%	Mean value	Standard deviation
4-5	209	94.1	4.74	0.556
3	13	5.9		
1-2	0	0		
Total	**222**	**100.0**		

Table VIII. Communication of the code to all non-management staff of the company

Our code should be communicated to all of our other staff	(n=222)	%	Mean value	Standard deviation
4-5	199	89.6	4.55	0.676
3	23	10.4		
1-2	0	0		
Total	**222**	**100.0**		

Table IX. Communication of the code to new staff members of the company

Our code should be communicated to new staff members	(n=222)	%	Mean value	Standard deviation
4-5	191	86.0	4.52	0.729
3	31	14.0		
1-2	0	0		
Total	**222**	**100.0**		

Table X. Displaying of the company code of ethics to external stakeholders

Our code should be displayed for external stakeholders to view (e.g. on the company website)	(n=222)	%	Mean value	Standard deviation
4-5	199	89.6	4.57	0.701
3	21	9.5		
1-2	2	0.9		
Total	**222**	**100.0**		

Table XIa. Customers should be made aware of the existence of a code of ethics in the company

Our code should be communicated to customers	(n=222)	%	Mean value	Standard deviation
4-5	196	81.1	4.58	0.693
3	26	18.9		
1-2	0	0		
Total	**222**	**100.0**		

Table XIb. Customer awareness of the existence of a code of ethics in the company

Are your customers informed of the existence of the code?		
Item	**Count**	**%**
Yes	127	57.2
No	26	11.7
Don't Know	69	31.1
Total	**222**	**100.0**

Table XIIa. Suppliers should be made aware of the existence of a code of ethics in the company

Our code should be communicated to suppliers	**(n=222)**	**%**	**Mean value**	**Standard deviation**
4-5	196	81.1	4.57	0.707
3	25	11.3		
1-2	1	0.5		
Total	**222**	**100.0**		

Table XIIb. Supplier awareness of the existence of a code of ethics in the company

Are your suppliers informed of the existence of the code?		
Item	**Count**	**%**
Yes	131	59.0
No	26	11.7
Don't Know	65	29.3
Total	**222**	**100.0**